



State of Louisiana
DIVISION OF ADMINISTRATION

OFFICE OF STATE UNIFORM PAYROLL

M. J. "MIKE" FOSTER, JR.
GOVERNOR

MARK C. DRENNEN
COMMISSIONER OF ADMINISTRATION

November 1, 2002

OFFICE OF STATE UNIFORM PAYROLL MEMORANDUM #2003-27

TO: All ISIS HR Paid Agencies

FROM: Jena W. Cary
Director

SUBJECT: Review of Tax Shelter Year-to-Date Deductions

This is a reminder to agencies that the balances of tax shelter deductions must be monitored to determine if calendar year limits have been or will be exceeded. In ISIS HR, transaction code ZP68 can be run and used to monitor deferred compensation Section 457 amounts. ZP119 can be used to verify Section 403(b) amounts. Refer to On-Line Help for instructions on how to run ZP68 and ZP119.

At the time of this memorandum distribution, ZP68 does not have the employee's year to date retirement contributions. The report output will be modified to include this information and should be available by December 2002. Agencies will be notified when this change is completed. In order to monitor limits prior to the report modification, utilize the Employee Year to Date Wage Type Results Report (ZF73) to obtain the retirement contributions.

Currently, the deferred compensation §457 maximum is the lesser of \$11,000.00 or 100% of the employee's includible compensation (gross wages paid minus retirement contributions). The percentage limit and the definition of includible compensation has changed since OSUP Memorandum #2002-42 was distributed. The definition of includible compensation was amended by the Jobs Creation and Workers Assistance Act of 2002 to include only gross wages less the employee's contribution (if any) to their public retirement system, which is also known as the 414(h) pick-up deduction. When this Act was signed, it became retroactively effective January 1, 2002. An exception is granted only for employees on a "catch-up" plan within three years of retirement. In general, the tax shelter annuity §403(b) maximum for 2002 is also \$11,000. There are some exceptions to this maximum.

Agencies must review these reports to avoid possible W-2c's. If an employee has exceeded or will exceed the maximum prior to the end of the year, the deduction should be stopped and, if necessary, a refund should be processed. **Agencies must contact the vendor prior to stopping a deduction or refunding a prior deduction. OSUP must also be notified before refunding prior deductions.**

For questions regarding ZP68 and ZP119 or how to issue a refund, contact the ISIS HR Help Desk at (225) 342-2677. Questions regarding §457 maximums and refunds should be directed to Louisiana Deferred Compensation at (225) 926-8082. Questions about maximums and refunds for §403(b) tax sheltered amounts should be directed to the specific vendor. Any additional questions should be directed to a member of the OSUP Wage and Tax Administration Unit:

Dorothy Piazza
Wendy Eggert

(225) 342-1652
(225) 219-0191

Lawanna Green
Rachel Bryant

(225) 342-0714
(225) 342-1651

JWC:LMG:kmb